CROSS VILLAGE TOWNSHIP EMMET COUNTY, MICHIGAN

Financial Statements For the Year Ended March 31, 2006

Prepared By: Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

Michigan Department of Treasury 496 (02/06)

Street Address

Authorizing CPA/Signature

589 South Nicolet Street, P.O. Box 996

Auc	litin under	ig P	Procedures Re 2 of 1968, as amended ar	port nd P.A. 71 of 1919,	as amended.			
			emment Type			Local Unit Nam	е	County
	ount	У	☐City ☑Twp	∐Village	□Other	Cross Villa	ge Township	Emmet
	l Year			Opinion Date			Date Audil Report Submit	
Ма	rch	31, 2	2006	September	13, 2006	i 	September 22, 20	
We a								
			d public accountant					
We fi	urthe agem	r affi ent l	rm the following mat Letter (report of com	erial, "no" respondents and reco	onses have ommendati	e been disclo ions).	sed in the financial state	ments, including the notes, or in the
	YES	2	Check each applic		•			
1.	X		reporting entity not	es to the financ	ial stateme	ents as neces	sary.	nancial statements and/or disclosed in the
2.		\boxtimes					nit's unreserved fund ba oudget for expenditures.	lances/unrestricted net assets
3.	X		The local unit is in	compliance wit	h the Unifo	orm Chart of A	ccounts issued by the D	epartment of Treasury.
4.		×	The local unit has a	adopted a budg	et for all re	equired funds		
5.	×		A public hearing or	the budget wa	s held in a	ccordance w	th State statute.	
6.	×		The local unit has other guidance as	not violated the issued by the L	Municipal ocal Audit	Finance Act, and Finance	an order issued under th Division.	ne Emergency Municipal Loan Act, or
7.	X		The local unit has	not been deling	uent in dis	tributing tax r	evenues that were collec	cted for another taxing unit.
8.	×		The local unit only	nly holds deposits/investments that comply with statutory requirements.				
9.	×		The local unit has a Audits of Local Unit	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin).				
10.	×		There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.					
11.	×		The local unit is fre	e of repeated o	comments	from previous	years.	
12.	×		The audit opinion i	s UNQUALIFIE	D.			
13.			The local unit has accepted accounting			r GASB 34 as	modified by MCGAA S	tatement #7 and other generally
14.		×	The board or coun	cil approves all	invoices p	rior to payme	nt as required by charte	r or statute.
15.	×		To our knowledge,	bank reconcilia	ations that	were reviewe	d were performed timely	<i>'</i> .
incl des	uded cripti	l in t ion(s	t of government (au his or any other au) of the authority and igned, certify that thi	idit report, nor d/or commission	do they o n.	btain a stanc	-alone audit, please er	undaries of the audited entity and is not close the name(s), address(es), and a
		_	closed the followin		Enclosed		ed (enter a brief justification)
Financial Statements								
The	e lette	er of	Comments and Rec	commendations	X		-	
Oth	ier (D	escrib	ne)					
				Telephone Number				
Ri	char	dE.	Mahlmeister, CP/	A, PC			231-436-5223	

City

Richard E. Mahlmeister, CPA

Printed Name

Mackinaw City

State

М

Zip

License Number

17351

49701

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Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

September 13, 2006

Township Board Cross Village Township Emmet County, Michigan

I have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of *Cross Village Township*, *Emmet County*, *Michigan*, as of and for the year ended March 31, 2006, which collectively comprise *Cross Village Township's* basic financial statements as listed in the table of contents. These financial statements are the responsibility of *Cross Village Township's* management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of *Cross Village Township*, *Emmet County*, *Michigan*, as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of March 31, 2006.

The Township has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required, to be a part of the basic financial statements.

The budgetary comparison information on pages 17 through 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

RelAult Mullmull UPA**

Richard E. Mahlmeister, C.P.A.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CROSS VILLAGE TOWNSHIP STATEMENT OF NET ASSETS MARCH 31, 2006

ACCETO	GOVERNMENTAL ACTIVITIES
ASSETS	ACTIVITIES
Cash and cash equivalents	\$19,315
Investments	89,728
Receivables:	
Property taxes	6,625
Due from fiduciary fund	52,147
Due from other governmental units	3,343
Capital assets (net of accumulated depreciation)	168,004
TOTAL ASSETS	\$339,162
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accrued payroll taxes	\$832
NET ASSETS:	
Invested in capital assets	168,004
Unrestricted	170,326
TOTAL NET ASSETS	338,330
TOTAL LIABILITIES	
AND NET ASSETS	\$339,162

CROSS VILLAGE TOWNSHIP STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2006

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary government			
Governmental activities			
Legislative	\$9,574	\$	- \$ -
General government	65,582		
Public safety	7,844		
Public works	7,146		
Recreation and culture	5,189		
Unallocated depreciation	5,583		
Total governmental activities	100,918		<u>-</u>
	Ge	eneral Revenues	

Property taxes
State-shared revenues
Unrestricted interest income
Other

Total general revenues
Change in net assets
Net assets, beginning of year
Net assets, end of year

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities

	Activities
Capital Grants and Contributions	TOTAL
\$	- (\$9,574)
	- (65,582)
	- (7,844)
	- (7,146)
	- (5,189)
	- (5,583)
	- (100,918)
	61,497
	22,737
	2,783
	970
	87,987
	(12,931)
	351,261
	\$338,330

FUND FINANCIAL STATEMENTS

CROSS VILLAGE TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2006

		NON-MAJOR	
		FUND	TOTAL
+ CODETO	GENERAL	ROAD	GOVERNMENTAL FUNDS
ASSETS	FUND	FUND	FUNDS
Cash and cash equivalents	\$12,153	\$7,162	\$19,315
Investments	89,728		89,728
Taxes receivable	6,625		6,625
Due from other governmental units	3,343		- 3,343
Due from tax collection fund	52,147		52,147
TOTAL ASSETS	\$163,996	\$7,162	\$171,158
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued payroll taxes payable	\$832	\$	- \$832
FUND BALANCES			
Unreserved:			
Designated for:			
Subsequent years' expenditures	4,776	·	- 4,776
Unreserved, undesignated	158,388	7,162	165,550
TOTAL FUND BALANCES	163,164	7,162	170,326
TOTAL LIABILITIES			
AND FUND BALANCES	\$163,996	\$7,162	\$171,158

The accompanying notes are an integral part of these financial statements.

CROSS VILLAGE TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2006

Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

\$170,326

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add: capital assets

\$203,493

Subtract: accumulated depreciation

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$338,330

The accompanying notes are an integral part of these financial statements.

CROSS VILLAGE TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2006

	GENERAL FUND	NON-MAJOR FUND ROAD FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Taxes	\$61,497	\$ -	\$61,497
State shared revenues	22,737	-	22,737
Interest	2,722	61	2,783
Other revenue	970	<u> </u>	970
TOTAL REVENUES	87,926	61	87,987
EXPENDITURES			
Current:			
Legislative	9,574	-	9,574
General government	65,582	-	65,582
Public safety	7,844	-	7,844
Public works	2,200	4,946	7,146
Recreation and culture	5,189	-	5,189
Capital outlay	7,149		7,149
TOTAL EXPENDITURES	97,538	4,946	102,484
NET CHANGE IN FUND BALANCES	(9,612)	(4,885)	(14,497)
FUND BALANCES, BEGINNING OF YEAR	172,776	12,047	184,823
FUND BALANCES, END OF YEAR	\$163,164	\$7,162	\$170,326

The accompanying notes are an integral part of these financial statements.

CROSS VILLAGE TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2006

	statement of revenues, expenditures and changes in fund balances of funds to statement of activities	
NET CHANGE I	N FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$14,497)
Amounts reporte are different b	d for governmental activities in the statement of activities ecause:	
	Il funds report capital outlays as expenditures. However, those costs over their useful lives as annual depreciation expense in the statement	
-	al outlay capitalized during the current year depreciation expense	7,149 (5,583
CHANGE IN NE	T ASSETS OF GOVERNMENTAL ACTIVITIES	(\$12,931

The aecompanying notes are an integral part of these financial statements.

CROSS VILLAGE TOWNSHIP STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND MARCH 31, 2006

	ASSETS	AGENCY FUND
-	Cash and cash equivalents	\$74,278
-		
4	<u>LIABILITIES</u>	
•	Due to other funds	\$52,147
á	Due to other governmental units	22,131
•	TOTAL LIABILITIES	74,278
	NET ASSETS	
•	Fiduciary Net Assets	<u>\$</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cross Village Township, Emmet County, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

Cross Village Township adopted the governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – Management's Discussion and Analysis - for State and Local Governments, and Statement No. 38, Certain Financial Statement Note Disclosures and applied those standards as of April 1, 2004. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus. Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when cash is received by the government.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major fund:

<u>General Fund</u> - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

The Township reports the following special revenue - non-major fund:

Road Fund - This fund accounts for revenues and expenditures attributable to improvement of various roads located within the township. Revenue is primarily obtained from property taxes and interest income for this purpose.

Fiduciary Funds

<u>Trust and Agency Fund</u> - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at market value and consist of bank money market funds, which invest, solely in short-term fixed income securities of the U.S. Treasury and U.S. Agencies and certificates of deposit with maturity values of three months or longer.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of \$400 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Because the Township is considered a phase 3 government for GASB 34 implementation requirements, the Township is not required to report infrastructure retrospectively. Any future infrastructure additions will be capitalized, if any.

Estimated useful lives, in years, for depreciable assets are as follows:

Land improvements15 yearsBuildings and improvements15 - 40 yearsEquipment5 - 10 years

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Township has no long-term obligations as of March 31, 2006.

FUND EQUITY

Reserved fund balances for governmental funds indicates that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
- 5. Appropriations expire at the end of the fiscal year.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

NOTES TO FINANCIAL STATEMENTS

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year the Township incurred expenditures which exceeded the amount appropriated as follows:

Fund	Appropriations	Expenditures	Variance
GENERAL			
Assessor	\$11,615	\$12,347	\$ 732
Elections	\$ -	\$ 320	\$ 320
Professional services	\$10,500	\$ 22,516	\$ 12,016
Police	\$ 5,000	\$ 5,959	\$ 959
Capital outlay	\$ 6,325	\$ 7,149	\$ 824
ROAD			
Public Works	\$ -	\$ 4,946	\$ 4,946

A budget was not adopted for the Road Fund.

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2006, reflected in the accompanying financial statements include property taxes levied December 31, 2005. These taxes are due by February 15, 2006, and are added to the County tax rolls after February 28, 2006. The Township will receive 100% payment for the delinquent tax by June, 2006.

The taxable value of the Township totaled \$44,990,864, on which ad valorem taxes consisted of .9744 mills, raising \$43,725 for the Township's operating purposes.

NOTE 4: CASH AND CASH EQUIVALENTS

The caption on the statements of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$93,593
Investments	89,728
	\$183,321

(Continued)

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk - Deposits

At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	Carrying	Bank
	Amount	Balance
Insured (FDIC)	\$120,620	\$119,219
Uninsured – uncollateralized	64,102	64,102
	\$184,722	\$183,321

For the year ended March 31, 2006, investments consist of \$25,626 in certificates of deposit and \$64,102 of bank money market funds which invest solely in short-term fixed income securities of the U.S. Treasury and U.S. Agencies and are not insured by the Federal Deposit Insurance Corporation (FDIC).

Investments held at a financial institution can be categorized according to three levels of risk. The GASB Statement No. 3 risk disclosures are as follows:

- 1. Insured or Registered, or Securities held by the Township or the Township's agent in the Township's name.
- 2. Uninsured and Unregistered, with Securities held by the Counterparty's Trust Department or its agent in the Township's name.
- 3. Uninsured and Unregistered, with Securities held by the Counterparty or the Counterparty's Trust Department or Agent, but not in the Township's name.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level are used as depositories. The Township may experience significant fluctuations in deposit balances through the year.

Investing is performed in accordance with investment policies complying with state statutes. The Township's deposits and investments are in accordance with statutory authority.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations which have an office in Michigan.

(Continued)

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CASH AND CASH EQUIVALENTS (CONTINUED)

Statutory Authority (Continued)

The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivables and payables for the year ended March 31, 2006 are as follows:

Fund	Interfund Receivable	Interfund Payable	
General	\$52,147	\$ -	
Tax Collection		52,147	
Total	\$52,147	\$52,147	

There were no interfund transfers during the fiscal year.

NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Balance			Balance
	April 1, 2005	Additions	Deletions	March 31, 2006
Not being depreciated:				
Land	\$23,035	\$ -	\$ -	\$23,035
Being Depreciated:				
Land improvements	5,025	6,390	•	11,415
Building and Improvements	165,826	-	-	165,826
Equipment	10,722	759	(8,264)	3,217
Subtotal	204,608	7,149	(8,264)	203,493
Less accumulated depreciation	(38,170)	(5,583)	8,264	(35,489)
Total	\$166,438	\$1,566	\$ -	\$168,004

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CAPITAL ASSETS (CONTINUED)

Depreciation was charged to the Township's functions as follows:

Unallocated

\$5,583

NOTE 7: RISK MANAGEMENT

Cross Village Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$425,000, general liability of \$3,000,000, wrongful acts of \$2,000,000, crime of \$10,000, automobile of \$1,000,000, inland marine liability of \$6,800 and bonding for public officials errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

CROSS VILLAGE TOWNSHIP BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2006

VARIANCE WITH

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes:				
Property tax	\$39,000	\$39,000	\$43,725	\$4,725
Property taxes - administrative fee	11,000	11,000	17,129	6,129
Penalties and interest		<u></u>	643	643
Total taxes	50,000	50,000	61,497	11,497
State shared revenues:				
State shared revenues	13,500	13,500	20,095	6,595
State shared revenues-METRO Act	-	-	1,099	1,099
Swampland and payment in lieu of tax			1,543	1,543
Total state shared revenues	13,500	13,500	22,737	9,237
Interest	500	500	2,722	2,222
Other revenue	3,500	3,500	970	(2,530)
TOTAL REVENUES	67,500	67,500	87,926	20,426

CROSS VILLAGE TOWNSHIP BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2006

VARIANCE WITH FINAL AMENDED BUDGET POSITIVE FINAL **ORIGINAL** BUDGET BUDGET ACTUAL (NEGATIVE) **LEGISLATIVE** \$9,574 \$1,656 \$11,230 \$11,230 Township board GENERAL GOVERNMENT 7,215 601 Supervisor 7,816 7,816 11,615 11,615 12,347 (732) Assessor 320 (320)Elections 10,500 22,516 (12,016)10,500 Professional services 441 249 690 690 **Board of Review** 930 6,386 7,316 Clerk 7,316 7,938 728 8,666 8,666 Treasurer 28,100 28,100 6,744 21,356 Township property 1,675 1,675 1,675 Cemetery 76,378 65,582 10,796 TOTAL GENERAL GOVERNMENT 76,378 PUBLIC SAFETY 2,950 2,950 1,885 1,065 Fire service 5,959 (959)5,000 5,000 Police service 106 7,950 7,844 TOTAL PUBLIC SAFETY 7,950 **PUBLIC WORKS** 1,500 1,500 716 784 Highways and streets 2,000 1,484 516 2,000 Street lighting 1,300 3,500 2,200 TOTAL PUBLIC WORKS 3,500 RECREATION AND CULTURE 10,300 10,300 5,189 5,111 Park and library CAPITAL OUTLAY 6,325 (824) 6,325 7,149 97,538 TOTAL EXPENDITURES 115,683 115,683 18,145 NET CHANGE IN FUND BALANCE (48,183)(48, 183)(9,612)38,571 **FUND BALANCE - BEGINNING OF YEAR** 172,776 172,776 172,776 FUND BALANCE - END OF YEAR \$124,593 \$124,593 \$163,164 \$38,571



Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

September 13, 2006

Township Board Cross Village Township Emmet County, Michigan

In planning and performing my audit of the financial statements of *Cross Village Township*, *Emmet County*, *Michigan*, for the year ended March 31, 2006, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated September 13, 2006 on the financial statements of *Cross Village Township*.

Thank you for the opportunity to serve *Cross Village Township*. Best wishes in the next year.

Mark Check CPT

Sincerely,

Richard E. Mahlmeister, C.P.A.

Cross Village Township Comments & Suggestions September 13, 2006 Page 2 (two)

Reportable Condition

Reportable conditions involve matters coming to my intention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect Cross Village Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of Cross Village Township. This condition is generally inherent in organizations the size of Cross Village Township, where corrective action is not practical.

Excess of Expenditures Over Appropriations

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds, which exceeded the amount appropriated, as shown in the body of the financial statements.

I recommend that the Township Board on a periodic basis, review appropriations as compared to actual expenditures and, <u>prior</u> to incurring additional expenditures, amend the budget as necessary to avoid incurring expenditures in excess of appropriations.

Special Revenue - Road Fund Budget Adoption

Though no expenditures were originally planned during the fiscal year ended March 31, 2006, upon incurring approved expenditures, the Township Board did not then adopt a budget for the Special Revenue - Road Fund.

I recommend that the Township Board adopt a budget for this fund and review the compliance requirements of the Uniform Budgeting Act of 1978 to comply fully with this act.

Cross Village Township Comments & Suggestions September 13, 2006 Page 3 (three)

Invoice Approval

Though the Township Board noted in their minutes the approval of larger bills and, on occasion, the approval of the Treasurer's Report which lists bills paid and to be paid, the approval of invoices, prior to payment (or based on a policy where limited invoices will be paid to avoid late charges and fees and payroll), were not consistently noted in the minutes of the Township Board meetings.

I recommend that the Township Board review its invoice approval policy and approve of all invoices consistent with state statute and Township policy and note these approvals in the Township Board minutes. I also recommend that as a method of strengthening internal control, the Township consider having a board member, such as the Supervisor or Trustee sign or initial the source document as "approved" at the time the approval is made.

Review of General Ledger

An outside accounting firm prepared the general ledger. Though the main accounting function of recording receipts and paying bills was performed regularly, it appears that the general ledger has not been maintained regularly or reviewed by the Clerk. As required by State Statute (MCL 41.65) "The township clerk is responsible for the detailed accounting records and shall prepare and maintain the journals and ledgers necessary to reflect the assets, liabilities, fund equities, revenues, and expenditures for each fund of the township."

I recommend that the Township Clerk review the entries made to the general ledger, as prepared by the accounting firm, to verify its accuracy, if the Township continues its current procedures for preparing the general ledger.

Capital Assets

I recommend that the Township Board review the policy as to which assets should be recorded as a capital asset. The *Government Officer's Finance Association* (GFOA) recommends that assets that have a useful life of at least one-year and a cost of \$5,000 be included as a capital asset. I further would recommend that the Township Board make this threshold, at least, in the range \$1,000 to \$2,000. Adopting a capitalization policy with these minimums would exclude assets of minimal value and would make the record keeping less cumbersome and would create more useful capital asset information.